

ANNUAL REPORT 1998

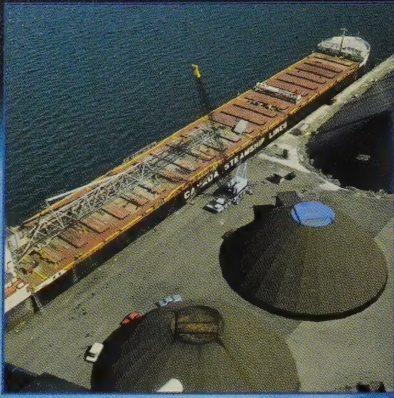
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1998

THE PORT
OF
HAMILTON

 The Hamilton
Harbour
Commissioners

ANNUAL REPORT 1998



The Port of Hamilton is one of the top ten ports in Canada and is the largest port on the Great Lakes system for inbound cargo.



The most prevalent cargo commodity for international trade handled through the port is steel.



Bulk grain has been a growing commodity, first handled by the pier 25 facilities.



The Harbour West Sailing School, rated as one of Canada's finest, continues to teach over 2,000 boating enthusiasts of all ages annually.

The Hamilton
Harbour Commissioners

Laurel Wilson
CHAIRMAN

Patrick J. Dillon
COMMISSIONER

Brian Hinkley
COMMISSIONER

R.R. Hennessy, P.Eng.
PORT DIRECTOR



THE PORT OF HAMILTON

Message from the Chairman and Port Director



Total tonnage increased during the 1998 season. The port's two major commodities are coal and ore which comprise about 80% of domestic cargo.



Overseas tonnage increased 21% over last year.



The number of ships arriving at the port was up by almost 10% in the past year.

The 1998 shipping season at the Port of Hamilton was one of the best in our history, a reflection of the generally buoyant economy in the Great Lakes Region. A number of new records were achieved.

Total cargo tonnage handled at our commercial piers increased by some 800,000 tonnes over last year to 12,304,280 tonnes. Included in this figure are direct overseas shipments of 1,727,737 tonnes, also up significantly from last year and the second highest level ever achieved.

Not surprisingly, this increase in cargo volumes and increases in our related business ventures resulted in higher earnings for 1998. Net earnings were slightly over \$3,000,000 for the year and total revenues stood at \$13,225,209, a record high for the second consecutive year.

This achievement attains even greater significance in view of the fact that the Port did not increase cargo rates or berthage charges to our customers. In fact, 1998 marks the seventh consecutive year that the Port has frozen these charges. The Port takes pride in the fact that most of our revenues are earned in the competitive marketplace as opposed to using our regulatory powers to impose port taxes on users; making the Port of Hamilton a truly commercial ventures as opposed to just another layer of government.

Our shipping season opened on March 25 with the arrival of a shipment of coal on the M.V. Canadian progress and was closed on December 28 with the departure of the iron ore vessel M.V. Algonorth. It is fitting that out of a total of 685 commercial calls, the navigation both opened and closed with ships carrying the Ports two principal cargoes: coal and iron ore.

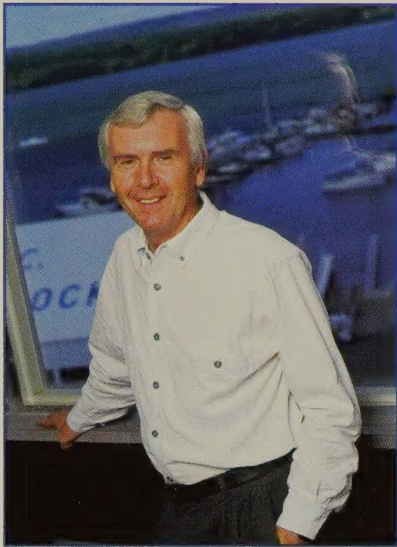
The Port saw a number of noteworthy events during the year. The new James Richardson International Grain Elevator at Pier 25 shipped its first cargo on July 17; the 25,000 tonnes of wheat for export represents the first grain elevator activity for the Port of Hamilton this century. This facility is expected to play an increasing role in the Port's capability to serve Ontario's vital agricultural marketplace.

An additional seaway draft shipping berth was completed at Pier 26 as part of \$8,907,124 expended on new port facilities during the year. An additional \$1,860,612 was spent maintaining the vast infrastructure of buildings, channels, roads, railways, wharves and related services required to keep the harbour operational.

Business on port-owned property generated a total of \$3,730,645 in Municipal taxes for the City of Hamilton, also a record high for the Port.



Laurel Wilson
Chairman



R.R. Hennessy
Port Director

Recreational use of the Harbour remained strong for the year, perhaps due in part to the long hot summer.

Use of the Port's commercial pleasure boat facilities was up for 1998. Small craft slip occupancy in our Marina, although still below capacity, was higher than last year. Our boat repair operation generated record revenues; the result of our skilled workforce and a reputation built by 60 years of knowledgeable and reliable service.

To further enhance this service, the Port opened a brokerage operation in 1998. We can now assist our customers in the selling or buying of their boat, thereby offering a complete range of services at our marina complex.

Enrollment at our Sailing and Power Boating School also remained high for the year at 2,100 students. Plans are underway for the school to provide licensing services to the public as part of the Canadian Coast Guard's mandatory boat operator licensing program, scheduled to come into effect next year.

The Port will now offer a full range of training for sailing, powerboating, personal watercraft including advanced cruising and navigation courses.

Another busy area of the Port was the Commissioner's Boat launch Ramp at the Burlington Canal. During the year, recreational fisherman used this facility for a total of 3,741 launches to access the waters of both Hamilton Harbour and Lake Ontario.

The Port continued its active role in supporting both the Canadian Port and Harbour Association and the American Association of Port Authorities, with Port Staff serving on the Boards of Directors of both of these organizations.

We would like to thank Commissioners Patrick Dillon and Brian Hinkley for their contributions during the year. The Commissioners were scheduled by the Government of Canada, pursuant to the Canada Marine Act, to become a Canada Port Authority, on January 1 1998. However, the Minister of Transport has announced that this will be delayed until sometime later next year; no specific date has been set.

We look back, with pride, on the 86 years of accomplishment as a Harbour Commission and pledge continued efficient, friendly and cost-effective service to our customers and all port users as a 'Canada Port Authority' next year and beyond.

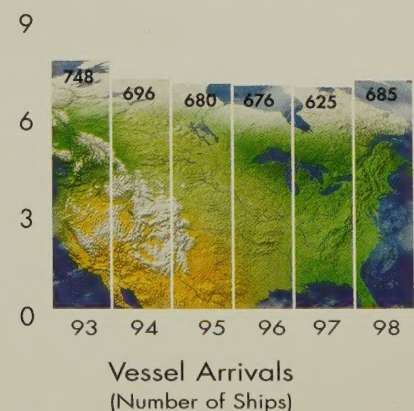
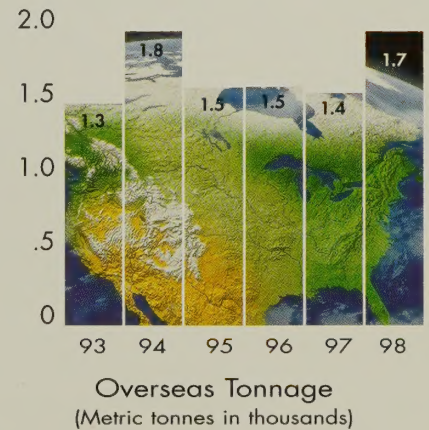
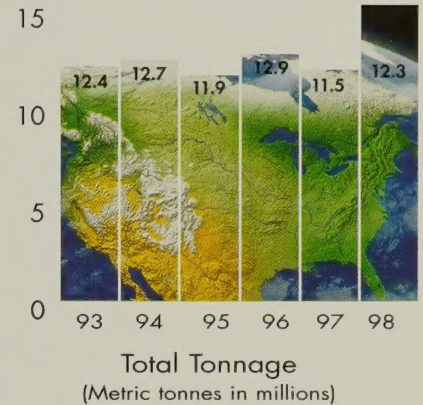
Laurel Wilson

Laurel Wilson
Chairman

R.R. Hennessy

R.R. Hennessy
Port Director

5 year Summary



Balance Sheet

as at December 31, 1998

	1998 \$	1997 \$
Assets		
Current assets		
Cash	686,542	835,402
Accounts receivable -		
Trade	1,126,174	1,071,715
Interest	64,266	69,562
Other	607,808	48,221
Inventories	183,320	145,733
Prepaid expenses	152,171	156,113
Deferred harbour dredging expenses	-	303,162
Current portion of investment in capital lease (Note 3)	534,790	81,933
	3,355,071	2,711,841
Net investment in capital lease (Note 3)	-	534,790
Investments appropriated for future harbour improvements (Note 4)	10,000,000	12,300,000
Fixed assets (Note 5)	65,232,334	59,092,089
	<u>78,587,405</u>	<u>74,638,720</u>
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	2,600,386	1,661,767
Current portion of debentures payable (Note 6)	50,000	50,000
	2,650,386	1,711,767
Debentures payable (Note 6)	25,000	75,000
	<u>2,675,386</u>	<u>1,786,767</u>
Equity		
General capital	65,912,019	60,551,953
Reserve for future harbour improvements (Note 4)	10,000,000	12,300,000
	<u>75,912,019</u>	<u>72,851,953</u>
	<u>78,587,405</u>	<u>74,638,720</u>

Statement of General Capital

For the year ended December 31, 1998

	1998 \$	1997 \$
General capital - Beginning of year	60,551,953	56,900,040
Excess of revenue over expenses for the year	3,060,066	2,402,940
	63,612,019	59,302,980
Allocation from reserve for future harbour improvements (Note 4)	2,300,000	1,248,973
General capital - End of year	<u>65,912,019</u>	<u>60,551,953</u>



Statement of Revenue and Expenses

For the year ended December 31, 1998

	1998 \$	1997 \$
Revenue from operations	12,586,081	11,105,997
Operating expenses	<u>4,641,798</u>	<u>4,240,272</u>
Income from operations	7,944,283	6,865,725
Administrative, office and general expenses	2,755,389	2,639,857
Interest on debentures payable	4,641	6,703
Depreciation	2,763,315	2,549,623
Financing income from capital leases	(34,734)	(39,424)
Other income	<u>(604,394)</u>	<u>(693,974)</u>
Excess of revenue over expenses for the year	<u>3,060,066</u>	<u>2,402,940</u>



Auditor's Report To the Commissioners

March 12, 1999

We have audited the balance sheet of The Hamilton Harbour Commissioners as at December 31, 1998 and the statements of revenue and general expenses, general capital and changes in financial position for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 1998 and the results of its operations and the changes in its financial position for the year ended in accordance with generally accepted accounting principles.

Further, in our opinion, the transactions of the corporation that have come to our notice during our examination of the financial statements have, in all material respects, been in accordance with Section 29 of "The Hamilton Harbour Commissioners' Act".

Hamilton, Ontario
March 12, 1999

PricewaterhouseCoopers LLP
Chartered Accountants



Statement of Changes in Financial Position

For the year ended December 31, 1998

	1998 \$	1997 \$
Operating activities		
Excess of revenue over expenses for the year	3,060,066	2,402,940
Items not affecting cash -		
Depreciation	2,763,315	2,549,623
Gain on disposal of fixed assets	(37,810)	(208,574)
Deferred harbour dredging expense	303,162	(15,488)
	6,088,733	4,728,501
Decrease in non-cash working capital items related to operations	<u>296,224</u>	<u>369,018</u>
Cash provided by operating activities	<u>6,384,957</u>	<u>5,097,519</u>
Investing activities		
Purchase of fixed assets	(8,907,124)	(6,377,071)
Proceeds on disposal of fixed assets	41,374	217,268
Decrease in investments appropriate for future harbour improvements	2,300,000	1,248,973
Decrease in net investment in capital lease	<u>81,933</u>	<u>77,096</u>
Cash used in investing activities	<u>(6,483,817)</u>	<u>(4,833,734)</u>
Financing activities		
Repayment of debentures payable	(50,000)	(50,000)
Cash used in financing activities	<u>(50,000)</u>	<u>(50,000)</u>
Net (decrease) increase in Cash	(148,860)	213,785
Cash - Beginning of year	<u>835,402</u>	<u>621,617</u>
Cash - End of year	<u>686,542</u>	<u>835,402</u>



Notes to Financial Statements

For the year ended December 31, 1998

1. The Hamilton Harbour Commissioners' Act

The Hamilton Harbour Commissioners ("the Commissioners") is a corporation established and operated pursuant to The Hamilton Harbour Commissioners Act, 2, George V c.98, 1912. The Commissioners mandate is to govern and develop the harbour of Hamilton for the purposes of the Act and to provide a harbour with full facilities for the transportation industry.

Pursuant to the Canada Marine Act, The Hamilton Harbour Commissioners are scheduled to be continued as the Hamilton Port Authority effective July 1, 1999.

2. Significant accounting policies

(a) Fixed assets

Fixed assets are recorded at acquisition cost. Depreciation is provided on a straight-line basis at rates designated to amortize the cost over the useful lives of the assets as follows:

Docks and improvements	2 - 20%
Buildings	2 1/2 - 20%
Equipment and vessels	10 - 20%

(b) Capital development in progress

The Commissioners include all costs to develop an asset in the capital development in progress category until the project is substantially complete. At that time, the asset is transferred to fixed assets and depreciation is taken according to established policy.

(c) Inventories

Inventories of merchandise are recorded at the lower of cost, determined on a first-in, first-out, basis and replacement cost.

(d) Deferred harbour dredging expenses

Deferred harbour dredging expenses relate to the maintenance of the harbour channels. Total estimated cost for the project was \$1.2 million and this was being amortized over three years commencing in 1996. The current year's expense is \$309,212 (1997 - \$400,000). The project was completed during 1998 and actual costs amounted to \$1,109,212.

(e) Measurement Uncertainty

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

(f) Financial Instruments

The carrying amount of cash, accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these instruments.

3. Capital lease

In 1994, the Commissioners acquired certain crane equipment and entered into a five year direct financing lease.

Financing income related to the direct financing lease is recognized in a manner that produces a constant rate of return on the investment in the lease. The investment in the lease for purposes of income recognition is composed of net minimum lease payments and unearned financing income. The net investment in the lease includes the following:

Total minimum lease payments receivable:

	\$
1999	548,603
Unearned income	(13,813)
	534,790
Current portion	(534,790)
	<u>0</u>

4. Reserve for future harbour improvements

During the year, the Commissioners transferred \$2,300,000 from the reserve (1997 - \$1,248,973) for future harbour improvements. The total balance in the reserve, amounting to \$10,000,000 (1997 - \$12,300,000), is set aside for future capital expenditures. The reserve funds are invested in short-term deposits. In 1998, the Commissioners approved a five year capital budget in the aggregate amount of \$32,740,000 (1997 - \$35,595,000).

5. Fixed assets

	1998		1997	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Land	18,202,530	-	18,202,530	18,073,380
Docks and harbour improvements	38,781,889	19,483,277	19,298,612	20,098,097
Buildings	26,176,837	12,569,366	13,607,471	10,868,444
Equipment and vessels	7,750,727	5,822,651	1,928,076	1,834,057
Capital development in progress	12,195,645	-	12,195,645	8,218,111
	<u>103,107,628</u>	<u>37,875,294</u>	<u>65,232,334</u>	<u>59,092,089</u>

6. Debentures payable

	1998 \$	1997 \$
4 and 1/8% Government of Canada debentures payable, to be repaid before the year 2005	75,000	125,000
Less: Current portion	<u>50,000</u>	<u>50,000</u>
	<u>25,000</u>	<u>75,000</u>

7. Pension plans

The Commissioners has non-contributory defined benefit plans for salaried employees and C.U.P.E. Local 958 members. Pension costs are computed on the projected benefit method based on an average expected remaining service life of the employee groups of 15 years for salaried employees and 18 years for C.U.P.E. Local 958 members.

The status of the plans, based on year end estimates provided by the Commissioners' actuary, are as follows:

	Salaried employee plan \$	C.U.P.E. employee plan \$
Pension fund assets - at market value	5,917,002	480,841
Projected benefit obligation	4,875,726	461,670

The excess of pension fund assets over the projected benefit obligation of the plans is expected to be utilized to fund current service contributions and/or enhance future pension benefits.

8. Contingencies

The Commissioners has been named co-defendant with The Attorney General for Canada in a lawsuit commenced by The City of Hamilton claiming surplus profits, title to property, and \$100 million for damages for breach of trust. In the opinion of management, the Commissioners has meritorious defences to the claim made and no provision has been made for the claim in the accounts. Any loss resulting from the resolution of the lawsuit would be charged to income in the period in which it occurs.

9. Uncertainty due to the Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be resolved.

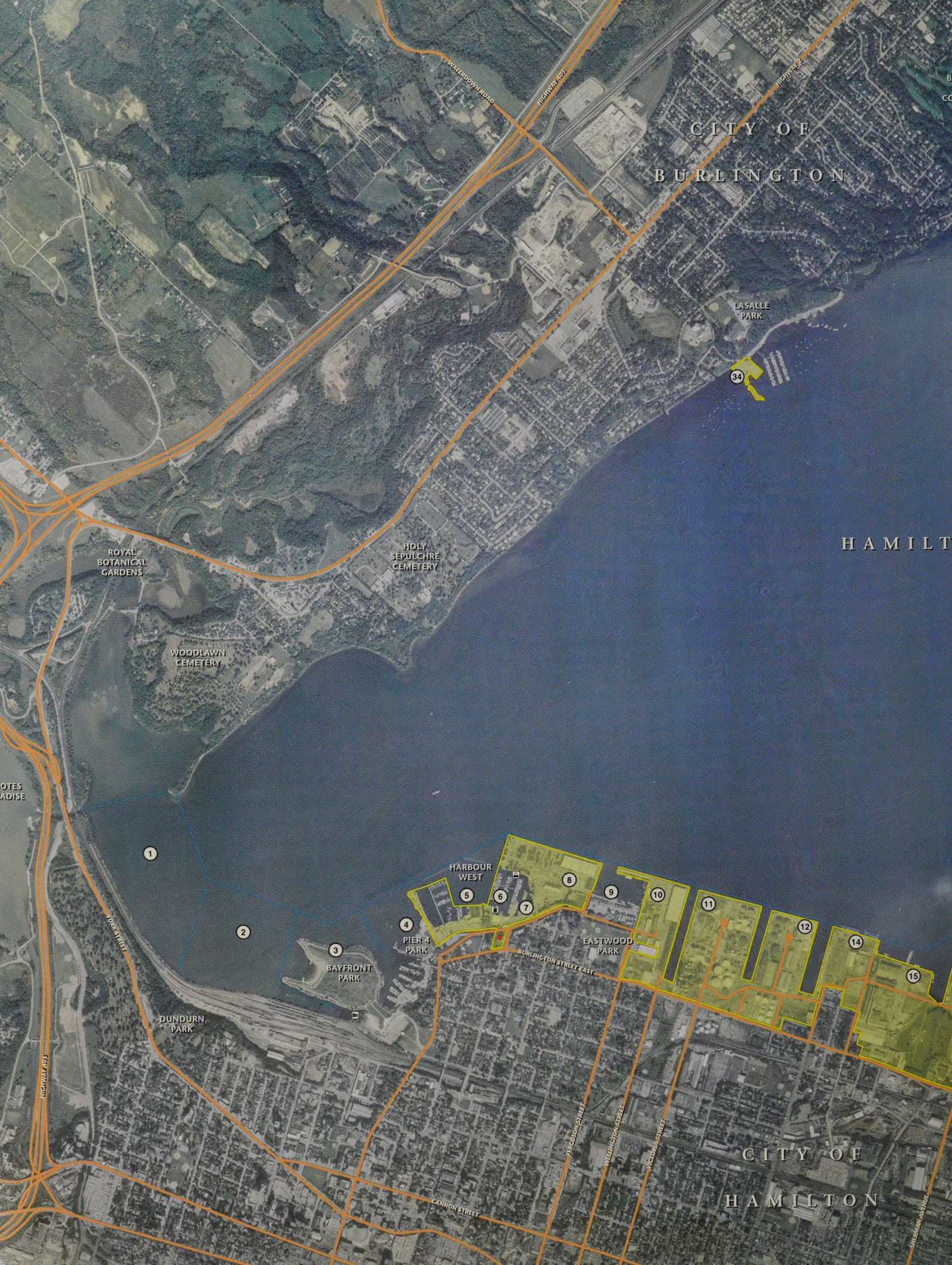




The shipping season at The Port of Hamilton begins at the end of March and ends late in December. The port typically handles over 12 million tonnes of cargo every season.



Harbour-West, the marine complex operated by The Hamilton Harbour Commissioners, is the largest full-service marina on Lake Ontario. Over 385 boats are harboured in the marina's slips, all with available shore power, dock lights and fresh water. The facility is capable of handling any marine repair and service to virtually any size of pleasure craft.



CITY OF
BURLINGTON

LASALLE
PARK

34

HAMILTON

ROYAL
BOTANICAL
GARDENS

HOLY
SEPULCHRE
CEMETERY

WOODLAWN
CEMETERY

1

2

3

DUNDURN
PARK

BAYFRONT
PARK

4

PIER 4
PARK

HARBOUR
WEST

5

6

7

8

9

10

11

12

13

14

15

EASTWOOD
PARK

BURLINGTON STREET EAST

CANNON STREET

ROUSSEAU STREET

WELINGTON STREET

MCDONALD STREET

CITY OF
HAMILTON

HESSEMAN AVENUE



The Port of Hamilton

THE PORT OF HAMILTON

LEGEND

- The Hamilton Harbour Commissioners (H.H.C.)
Administration, 605 James Street North
- Main Roads
- H.H.C. Piers
- Pier Site No.
- Harbour West Sailing Adventures (H.H.C.)
- Launch Ramp
- Recreation - Gas, Diesel Fuel & Pump-Out

H.H.C. PIERS

LOCATION	AREA (hectares)	PRIMARY USE
Pier 4	0.6	Leander Boat Club
Pier 5	2.8	Hamilton Yacht Club - Hamilton & District Chamber of Commerce H.H.C. Marina - 100 slips
Piers 6 & 7	2.4	Harbour West Marina Complex, 750 Slip Marina, Marine Police Unit, Harbour West Sailing Adventures
Pier 8 (Continental Terminal)	13.1	General Cargo, Overseas Terminal
Pier 10 (Wellington Terminal)*	10.5	General Cargo, Overseas Terminal
Pier 11*	21.1	Dry & Liquid Bulk Cargo, Industrial
Pier 12*	13.4	Dry Bulk Cargo, Ice-Bin Terminal
Pier 14*	6.7	Dry Bulk Cargo, Industrial, Drydock
Pier 15*	23.5	Tug Service, Work Boats, Barges, Warehousing, Industrial
Pier 22*	5.7	Liquid & Dry Bulk Cargo, Industrial
Pier 24*	8.5	Warehousing, Bulkheading Service, Industrial
Pier 25 (East Port)*	16.2	Marine/Industrial Park, Dry Bulk Cargo Terminal
Pier 26 (East Port)*	21.9	Marine/Industrial Park, Dry Bulk Terminal
Pier 27 (East Port)	12.1	Future Development
Pier 28		Fisherman's Pier Canal Boat Launch
Pier 34 (East Port)	7.3	Boating & Sailing Club, Marina

*Pier reserved by city

OTHER PIERS

PIER NUMBER	REMARKS	PRIMARY USE
Piers 3, 4	City of Hamilton	Pier 4 Park, Bayfront Park
Pier 9	IMAC's Star	Marine/Industrial
Piers 16, 17, 18	Sinco Inc.	Dry Bulk Cargo, Industrial
Piers 20, 21	Dofasco Inc.	Dry Bulk Cargo, General Cargo, Industrial
Piers 29, 30	Canada Centre for Inland Waters	Research

The Hamilton Harbour Commissioners
605 James Street North, Hamilton, Ontario, Canada L8L 1K1
Telephone: (905) 525-4330 1-800-363-1331
Fax Numbers: Administration: (905) 528-4282
Harbour Operations: (905) 525-7258
Harbour West Marina Complex: (905) 525-8132
General Office: (905) 528-6554

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The Hamilton
Harbour
Commissioners

605 James St. North,
Hamilton, Ontario, Canada L8L 1K1
Telephone: (905) 525-4330
or 1-800-263-2131

Main Office - Fax.: (905) 528-6554
Harbour Operations - Fax.: (905) 525-7258

Harbour West Marine Dockyard
Fax.: (905) 527-8132

Harbour West Sailing Adventures
Fax.: (905) 525-2298